

April 18, 2017

Strategy:

Long HDFC Bank April Future at ₹ 1450-1455 and short Nifty April Future at ₹ 9230-9240

Parameters:

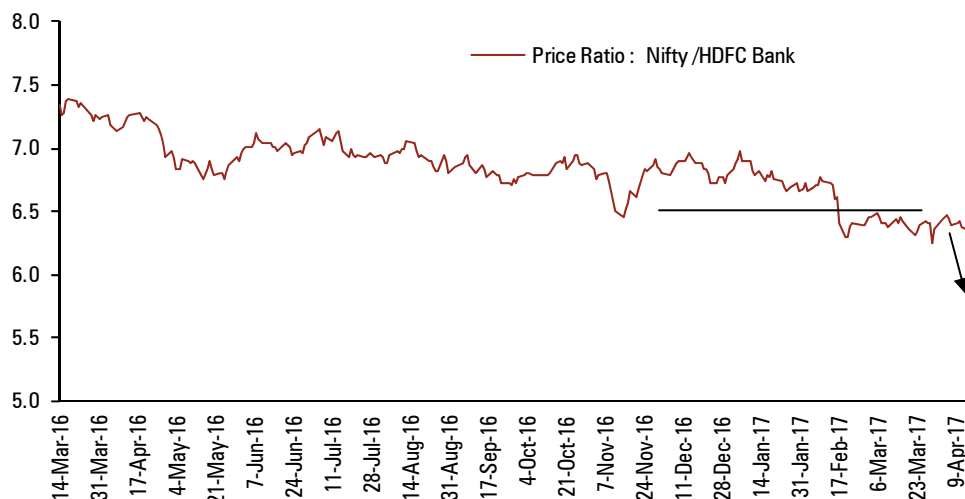
Current price ratio (Nifty/HDFC Bank): 6.34

Target: 5.71

Stop loss: 6.66

Rationale

- The Nifty is currently consolidating near its lifetime high levels. However, stock specific movement is evident. Stocks from the midcap and small cap space are witnessing continuous buying. Meanwhile, Nifty Bank has tested its lifetime high levels without any major support from private sector heavyweights. We expect the focus to resume on heavyweights. Stocks like HDFC Bank are likely to witness fresh upsides. This, in turn, is expected to prompt the Nifty to scale towards 9450
- After coming out of the FII restriction list for a day on February 17, HDFC Bank has witnessed addition of short positions at higher levels as the stock moved towards ₹ 1450. Open interest in the stock has reached 20-months high in the February series. However, due to resilience shown by the stock, closure of short positions is evident and open interest has declined almost 20% since then. We believe the ongoing trend of short covering will continue to provide cushion to the stock. We may see further upsides in the near term
- In the options space, the highest open interest was at Call 1440 strike. With the gradual upsides, these positions have started moving upwards towards higher Call strikes of 1480 and 1500. We believe upsides towards these levels are likely during the April series. At the same time, Put option open interest has become highest at ATM 1440 strike for the April series. Data clearly suggests expectations of limited downsides in the stock
- HDFC Bank witnessed highest single day volume ever on February 17, 2017 near ₹ 1440. As the stock is continuously trading above these levels, we may see fresh buying in the stock in the days to come
- The price ratio of Nifty/HDFC Bank is in a continuously declining trend and is finding it tough to move above its November lows. At the same time, the price ratio is on the verge of breaching its previous lows seen in February. We believe the price ratio (Nifty/HDFC Bank) will move towards 5.70 in the days to come

Exhibit 1: Nifty/HDFC Bank price ratio: Likely to slip towards 5.7 levels...

Source: Bloomberg, ICICIdirect.com Research

Note: Recommendation has been initiated on Iclick2Gain on April 18, 2017

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Trading Portfolio allocation

- It is recommended to spread out the trading corpus in a proportionate manner between the various derivatives research products
- Please avoid allocating the entire trading corpus to a single stock or a single product segment
- Within each product segment, it is advisable to allocate equal amount to each recommendation.
- For example: The 'Daily Derivatives' product carries two intraday recommendations. It is advisable to allocate equal amount to each recommendation
- Stock Trader & Quant Pick recommendations should be considered in cash segment and stop loss on closing basis. Time frame for these recommendations is 3 month.

Products	Allocation		Number of Calls	Return Objective		
	Product wise allocation	Max allocation per stock		Frontline Stocks	Mid-cap stocks	Duration
Daily Derivatives	5%	2-3%	2 Stocks	1%	2-3%	Intraday
Weekly Derivatives	10%	3-5%	2 Stocks	3-5%	5-7%	1 Week
High OI stock	5%	2-3%	2-3 Stocks	5-7%	7-10%	1-2 Weeks
Monthly Derivatives	15%	3-5%	4-7 Stocks	7-10%	10-15%	1 Month
Global Derivatives	5%	2-3%	1-2 index strategy	-	-	1 Month
Stock Trader/ Stock in Focus	15%	2-3%	5-6 Stocks	7-10%	10-15%	3 Months
Alpha Trader	5%	2-3%	2-3 Alpha strategy	5%	-	3 Months
Volatility Insights	5%	2-3%	1-2 Strategy	8-10%	10-15%	1-2 Month
Arbitrage Opportunity	5%	2-3%	2-3 Stocks	> 2.5%	> 2.5%	Event Based
Positional / Daily Futures	10%	2-3%	8-12 Stocks	1-3%	2-5%	1-14 days
Index option & Strategy	10%	3-4%	2-5 Nifty	2-3%	-	1-14 days
Stock option & Strategy	5%	3-4%	2-8 Stocks	-	3-5%	1-14 days
Currency Futures	5%	3-4%	3-5 Calls	-	-	Intraday



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